

Talking Points for Charts The Bush Economy

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The Bush Economy

Chart 1: Slowest Job Growth of Any Administration in over 70 Years &

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Chart 2: Slowest Private Sector Job Growth of Any Administration in over 70 Years

- President Bush has the worst job creation record of any President since Herbert Hoover.
- In June 2005 there were just 1.1 million more jobs on nonfarm payrolls than there were when President Bush took office in January 2001.
- That is a paltry pace of job creation of just 20,000 jobs per month (0.2 percent per year).
- Leaving aside job creation in the government sector, there were just 161,000 more private sector jobs in June 2005 than there were when President Bush took office.
- Within the private sector, manufacturing was particularly hard hit, with payrolls declining by 2.8 million jobs between January 2001 and June 2005.

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Chart 3: The Most Protracted Postwar Jobs Slump

- The jobs slump associated with the recession that began in March 2001 has been the most protracted jobs slump since at least the end of World War II (the period over which we have comparable data).
- In fact, one would have to go back to the 1930s to find a worse jobs slump.
- On average in the postwar period, job losses stop about a year after the onset of the recession and employment begins to increase after about 15 months. Within two years employment surpasses its pre-recession peak and is expanding at a healthy pace.
- The most recent jobs slump has been dramatically different from that pattern and even more protracted than the so-called “jobless recovery” following the 1990-91 recession.
- Job losses continued until May 2003, more than two years after the start of the recession, and it was not until January 2005, nearly four years after the start of the recession that payroll employment surpassed its level at the start of the recession.
- Payroll employment has increased in every month since May 2003, but the pace of job creation has been just 148,000 jobs per month. That is just a little faster than the pace needed to keep up with normal growth in the labor force.
- Whereas it was common to see job gains of 200,000 to 300,000 and sometimes 400,000 jobs per month in the 1990s expansion, gains of that magnitude have been rare as the economy has struggled to emerge from the latest jobs slump.
- At this point in the recovery from the 1990-91 recession the economy had created over 4 million more jobs than we have seen in this recovery.

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Chart 4: Unemployment Rate up by 0.8 Percentage Point &

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Chart 5: 1.5 Million More Unemployed Workers

- Although the unemployment rate has come down from its peak of 6.3 percent (reached in June 2003), the rate of 5.0 percent in June 2005 is still 0.8 percentage point higher than it was in January 2001 when President Bush took office.
- In June 2005, 7.5 million people were officially counted as unemployed—1.5 million more people than were unemployed when President Bush took office in January 2001.
- To be counted as unemployed, a person must be actively looking for work, but in a weak labor market there can be considerable hidden unemployment and underemployment if people who want to work have been discouraged from looking for work and if people who want to work full-time can only find a part-time job.
- In a typical business cycle recovery, people come back into the labor force as the prospects of finding a job improve, but in the most recent jobs slump the labor force participation rate has remained depressed compared with what it was at the start of the recession.
- In June 2005 the labor force participation rate (the proportion of the population working or actively looking for work) was 1.2 percentage points lower than it was at the start of the recession in March 2001.
- As a result of sluggish job creation and the depressed labor force participation rate, the proportion of the population with a job (the employment-to-population ratio) remains 1.6 percentage points lower than it was at the start of the recession.
- In June 2005, 5.2 million people who were not in the labor force said they wanted a job; about 1.6 million of these are considered “marginally attached” to the labor force because they have searched for work in the past year and are available for work.
- In June 2005, 4.5 million people were working part-time because of the weak economy.
- The Bureau of Labor Statistics estimates that if marginally attached workers were included, the unemployment rate would have been 6.0 percent in June 2005, and if those working part-time for economic reasons were also included it would have been 9.0 percent.

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Chart 6: Almost Twice as Much Long-Term Unemployment

- The number of people unemployed for more than 26 weeks is still nearly twice as high as it was when President Bush took office.
- 26 weeks is the cut-off for regular state unemployment benefits, and the President and the Republican-controlled Congress failed to renew the Temporary Extended Unemployment Compensation program when it expired in December 2003.
- As a result, those who subsequently exhausted their regular state benefits did not receive any additional federal benefits, even though it was difficult to find a new job in a labor market that remained relatively weak.
- The number of long-term unemployed as a fraction of total unemployment fell below 20 percent in June 2005 for the first time in 32 months—the longest stretch on record in which that fraction exceeded 20 percent.
- Even with the slight decline in June, more than 1 in 6 of the unemployed have been unemployed for more than 26 weeks.

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Chart 7: Typical Worker's Earnings Barely Kept up with Inflation

- The Bureau of Labor Statistics publishes data on the usual weekly earnings of full-time workers at different points on the wage ladder.
- After adjusting for inflation, the usual weekly earnings at the exact middle of the distribution—real median usual weekly earnings—grew a paltry 0.2 percent per year from the fourth quarter of 2000 to the fourth quarter of 2004.
- That contrasts with a healthy 1.7 percent per year in the previous four years under President Clinton.
- Not only have median real earnings stagnated, but the distribution of earnings has become more unequal (see the Economic Points of Interest Chart: Real Earnings Growth Has Slowed and Become More Unequal under President Bush, http://www.jec.senate.gov/democrats/epics/2005_earnings.htm)
- Real earnings at the bottom of the distribution (the 10th percentile) actually fell at an average annual rate of 0.3 percent per year in President Bush's first term, while those at the top (90th percentile) rose the most, almost 1 percent per year.
- This disparity contrasts with the strong and widespread earnings growth in the previous four years under President Clinton.
- Worst of all, things are not improving. In the past year only real earnings at the top of the distribution have shown any gains while those at the bottom have fallen the farthest behind inflation.

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Chart 8: Large Projected Surpluses Turned into Large Deficits

- When President Bush took office in January 2001, the Congressional Budget Office projected large and growing federal budget surpluses under existing laws and policies (the so-called baseline projection).
- Over the 10 years from 2002 to 2011 those surpluses would cumulate to \$5.6 trillion.
- In fact, of course, the surplus was smaller than projected in 2001 and by 2004 a projected \$400 billion surplus had turned into a deficit of over \$400 billion. (The total budget deficit was \$412 billion in fiscal year 2004.)
- The Administration's latest Midsession Review produced an estimate of the fiscal year 2005 budget of \$333 billion, which is much lower than was originally estimated in January of this year.
- While the improvement in the 2005 budget is welcome, a deficit of \$333 billion is still very large and stands in marked contrast to the surplus of \$433 billion that CBO was projecting in January 2001 when President Bush took office.
- Moreover, many analysts believe that the improvement in the 2005 budget reflects temporary factors that have boosted revenue this year but that the long-term budget outlook is little changed and continues to show persistent large structural deficits.

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Chart 9: \$4.2 Trillion More Debt in 2008

- In February 2001, the Bush Administration projected that the federal debt would be \$1.2 trillion in 2008 if their policies were enacted, and that it would not be prudent or possible to pay down the debt any faster.
- In fact, however, under President Bush, the hard-won fiscal discipline of the late 1990s was completely squandered. The Administration's July 2005 projection of what the public debt will be in 2008 climbed to \$5.4 trillion—an increase of \$4.2 trillion over the February 2001 projection.
- The public debt is federal debt held outside government and does not include debt held in the Social Security Trust fund and elsewhere within the government. The gross federal debt, which includes debt held by government agencies is projected to be nearly \$8 trillion at the end of 2005 and \$9.7 trillion at the end of 2008.
- Instead of building up surpluses and retiring debt in order to prepare properly for the retirement of the baby boom generation, the Bush Administration abandoned all pretense of fiscal discipline and let the debt skyrocket.

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Chart 10: Bush Tax Cuts Were Nearly 90 Times Larger for Millionaires than for Middle Income Households

- The average amount of 2001-2003 tax cuts for households with more than \$1 million of income was nearly \$128,000 per year.
- The comparable figure for households with incomes of \$50,000 to \$75,000 was \$1,445.
- That made the millionaires' average tax cut 88 times larger. It was 160 times larger than the average tax cut for households with \$20,000 to \$50,000 income and 48 times larger than the average tax cut for households with \$75,000 to \$100,000 of income.

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Chart 11: Administration with the Greatest Average Annual Decline in Household Income &

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Chart 12: Real Median Household Income Down \$1,535

- After adjusting for inflation, the income of a typical household was down by more than \$1,500 during the first three years of President Bush's term (2003 is the latest year for which we have data).
- The measure used here is the Census Bureau's median household income, adjusted for inflation. The median income is the income of the household at the exact middle of the distribution—half of all households have less income and half have more.
- The average annual decline in real (inflation-adjusted) median household income was greater than for any previous administration for which we have data, that is, back to Kennedy.

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Chart 13: Administration with Second Largest Average Annual Rise in the Poverty Rate &

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Chart 14: 4.3 Million More Americans in Poverty

- The official poverty rate in 2003 was 12.5 percent.
- That translates into 35.9 million Americans living in poverty at the end of the first three years of President Bush's term—4.3 million more than were living in poverty in 2000, the year before President Bush took office.
- The average increase in the poverty rate during those three years is second only to that during George H. W. Bush's administration and contrasts sharply with the declines in the Clinton and Kennedy-Johnson administrations.

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Chart 15: 5.2 Million More Americans without Health Insurance

- 45 million Americans were without health insurance in 2003 (the latest year for which we have data).
- That represents an increase of 5.2 million over the figure in 2000, the last year before President Bush took office.